

R 192326Z DEC 08  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 4472  
DEPT OF COMMERCE WASHINGTON DC  
DEPT OF ENERGY WASHINGTON DC  
DEPT OF TREASURY WASHINGTON DC  
NSC WASHINGTON DC  
INFO ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS MEXICO 003755

STATE FOR WHA/MEX, WHA/EPSC  
STATE FOR EEB  
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD  
TREASURY FOR IA  
ENERGY FOR WARD, LOCKWOOD AND DAVIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ENRG](#) [ELTN](#) [EAIR](#) [PGOV](#) [SENV](#) [MX](#)  
SUBJECT: Mexico Economic Weekly - December 19

[1](#)1. (U) The Mexico Economic Weekly supplements individual reporting from the Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Sigrid Emrich (emrichs@state.gov) for questions or comments about this report.

[1](#)2. (U) Table of Contents:

FINANCE/ECONOMY:  
-----

BARCLAYS BANK: U.S. RECESSION HAS STRONG IMPACT ON MEXICO (Mexico City)

MEXICAN DEPOSITS IN US BANKS CONTINUE TO INCREASE (Matamoros)

OPORTUNIDADES TO INVEST IN 8,000 LOW-INCOME FAMILIES IN JUAREZ (Ciudad Juarez)

TRADE AND INVESTMENT:  
-----

RECORD FDI IN 2008, DROP EXPECTED IN 2009 (Monterrey)

LABOR:  
-----

BUYOUTS VS. LAYOFFS (Matamoros)

SEASONAL PAY CUTS (Monterrey)

NOVEMBER JOB LOSSES FOR NUEVO LEON (Monterrey)

ENERGY:  
-----

GOVERNMENT RELEASES ENERGY OUTLOOK FOR 2008-2017 - PRIVATE EXPERTS QUESTION STATISTICS:  
(Mexico City)

ENVIRONMENT:  
-----

KANSAS DONATES TAPIR TO MEXICO CITY ZOO (Mexico City)

INDONESIAN EXPERIENCE WITH AVIAN INFLUENZA RESONATES WITH MEXICAN OFFICIALS

13. (U) BARCLAYS: U.S. RECESSION HAS STRONG IMPACT HERE:

Mexican economic activity will fall significantly in 2009 despite the government's efforts to minimize the impact of the global financial and economic crisis. Mexico's economy will expand 1.8% in 2008 and 0.8% in 2009 according to Barclays. The firm predicts that the central bank will relax its monetary policy accordingly during the first half of the year, but assumes Mexico's Congress will approve more structural reform projects after the mid-term elections in July. The U.S. economic recession will have a strong impact on Mexico, according to Barclay's because although the government has tried to diversify its markets, 80% of its exports still go to the U.S. Barclays foresees domestic demand falling and consumption remaining flat, but expects the peso to appreciate.

Recently released figures already indicate that Mexico is approaching the trough of a recession. On December 17, the National Institute of Statistics (INEGI) reported Industrial production contracted 2.7% year-on-year in October. All sectors contracted -- mining fell 5.2% year-on-year, manufacturing 2.2% and construction 2.9%. Industrial production between January and October showed no growth from the same period last year. Mexican GDP is correlated closely with U.S. industrial production, which means that the U.S. economic slowdown has hit the country hard, causing GDP to decelerate since the start of this year. While jobs were still being created in the Mexican economy until recently, the latest data from the Mexican Institute of Social Security (IMSS) show that nearly 50,000 formal sector jobs were lost last month. Comment: Output will continue to decline, as will tourism and remittances from Mexicans living in the United States. This means that the IMF growth forecast of 0.9% next year and Barclay's 0.8% estimate appear overly optimistic, with the economy entering a recession and rising unemployment swelling the ranks of the informal sector. (Mexico City)

14. (U) MEXICAN DEPOSITS IN US BANKS CONTINUE TO INCREASE:

Mexican clients continue to boost their deposits in US banks in the border region, according to Lupe Zuniga, branch manager of First National Bank in La Feria, Texas. "We're seeing more Mexican clients boosting their savings accounts in our banks, and they're telling us they're withdrawing from Mexican banks to do so," said Zuniga. The bank is also moving forward with branch expansion efforts in Monterrey and other Northern Mexico locations, taking advantage of the growing perception that investments are safer in US banks. Zuniga also noted that new Banamex locations in the Rio Grande Valley and other border locations (REFTEL: Matamoros 214) are expected to be less competitive with existing banks due to the same perceptions about the security of US banks. (Matamoros)

15. (U) OPORTUNIDADES TO INVEST IN 8,000 LOW-INCOME FAMILIES IN JUAREZ:

Oportunidades, the Mexican government's principal anti-poverty program, will invest in 8,000 additional families in Ciudad Juarez in 2009. This increase in participation will triple the number of families that currently participate in the program in Juarez according to Sergio Barraza Pak, the Director of Oportunidades in Chihuahua. Oportunidades helps low-income families invest in their children's education, health and nutrition by providing cash transfers conditioned on the children's school attendance and regular health assessments. The program's design seeks to break poverty traps, which are often multi-generational. Many parents cannot afford to send their children to school, and pull them out to work at an early age. The program attempts break the cycle by providing parents an income equivalent to what their children may earn. Mr. Barraza Pak reported that the new families selected to participate in the program will receive 230 to 840 pesos a month, per child. The new participants are primarily migrants from southern Mexico. The program's increased coverage seeks to ameliorate the negative impact of the current economic crisis. (Ciudad Juarez)

16. (U) MONTERREY TECH TO FUND START UPS:

Monterrey's leading University, the Tecnolsgico de Monterrey or Monterrey Tech, announced a new US \$12 million fund to help finance new companies December 14. Both Mexican and U.S. investors contributed to the fund which is managed by the university. The

project is also receiving technical guidance from Mexico's national "Fondo Pyme" (SME Fund). The fund hopes to make its first investments in January. (Monterrey)

#### TRADE AND INVESTMENT:

##### ¶7. (U) NUEVO LEON GETS RECORD INVESTMENT IN 2008, DROP EXPECTED IN 2009:

Nuevo Leon received \$5.5 billion USD in foreign direct investment (FDI) in 2008, far more than the \$1.8 billion received in 2007, according to preliminary figures from the Nuevo Leon Secretary of Economic Development. Nuevo Leon's FDI also generated 210,000 jobs over 2008, although employers are now cutting employment. The 2008 FDI statistics were inflated by a one time purchase of the IMSA steel company, but generally FDI was spread between metal mechanics (32%), automotive (23%), services (16%), and electronics and domestic appliances (8% each). Despite the rosy results in 2008, a Nuevo Leon official privately told Econoff that considering the current condition of the economy, the state will need to work hard to receive \$1 billion in FDI in 2009. (Monterrey)

#### LABOR:

##### ¶8. (U) MAQUILADORAS TURN TO BUYOUTS RATHER THAN LAYOFFS

A number of maquiladora managers are reducing workforces via buyouts rather than layoffs to reduce costs. Under Mexican labor law, laying off employees can be an expensive venture. Mike Myers, manager of Metal Industries, Inc., in Reynosa recently reduced his workforce of 300 employees 10 percent by offering a buyout. "I made an offer to the workforce that anyone who was considering leaving the company could earn a bonus by resigning within a certain timeframe," said Myers. Financially, the buyout cost Metal Industries significantly less than formal layoffs due to Mexican labor laws. Members of the Reynosa Maquiladora Association (RAMMAC) report that other firms are using similar workforce reduction tactics. The result of such employee separation policies could be discrepancies between official layoff and workforce reduction statistics and total labor force statistics. Employees bought out will appear to have left via attrition, though their decision to resign was encouraged by management to reduce payroll expenses. (Matamoros)

##### ¶9. (U) U.S. AUTO MAKERS FACE SEASONAL PAY CUTS:

GM and Chrysler announced December 16 that during their regular season plant shutdown 20,000 employees in Saltillo will receive only 50% of their normal salary. The companies blamed falling sales and the lack of liquidity as the primary reason for not being able to offer full compensation. (Monterrey)

##### ¶10. (U) NOVEMBER JOB LOSSES FOR NUEVO LEON:

The heavily industrial state of Nuevo Leon reported a loss of nearly 8,000 jobs for November compared to a gain of nearly 7,000 jobs in ¶2007. The hardest hit sectors were manufacturing and construction. Local economist Abel Hibert cited the economic crisis and especially the uncertainty in the automotive sector as the primary reason for the layoffs. (Monterrey)

#### ENERGY:

##### ¶11. (SBU) GOVERNMENT RELEASES ENERGY OUTLOOK FOR 2008-2017 - PRIVATE EXPERTS QUESTION OPTIMISTIC PRODUCTION FIGURES:

The government expects to increase oil production from the current 2.8 million barrels a day to 3 million barrels a day by 2012 according to the 2008-2027 Energy Outlook presented by Secretary Kessel December 10. With the construction of two new refineries, said Kessel, Mexico will be able to reduce its imports of gasoline and generate more jobs and income. The government will invest US\$ 24 billion to the energy sector in 2009. Private sector experts question whether Pemex can raise production to 3 billion barrels a day by 2012 given a minimal level of deepwater exploration and the technical challenges involved with the Chicontepec field. (Mexico City)

ENVIRONMENT:

-----

¶12. (U) KANSAS DONATES TAPIR TO MEXICO CITY ZOO:

The Sedgwick County Zoo's December 8 donation of a baird's tapir (*Tapirus bairdii*) to the Chapultepec Zoo marks the beginning of the Mexico City zoo's tapir reproduction program. According to Chapultepec Zoo Director Dr. Jose Bernal Stoppen only 1,400 to 4,000 baird's tapir's remain in the wild in Mexico due to encroachments on the tapir's habitat and poaching. Mexico City environment secretary, Martha Delgado Peralta, said that bringing the tapir to Mexico City is part of the city's Green Agenda. Chapultepec Zoo has over 6 million visitors annually, and has been successful with Mexican wolf and California condor conservation programs. (Mexico City)

¶13. (U) INDONESIAN EXPERIENCE WITH AVIAN INFLUENZA RESONATES WITH MEXICAN OFFICIALS: Lingga Setawian, Economic Counselor, Embassy of Indonesia shared Indonesia's experience managing the pandemic. The Mexico City Avian Influenza working group December 17, , established under the Security and Prosperity Partnership is chaired by the U.S. Embassy and brings together experts to discuss strategies for addressing avian influenza. In light of the MOU signed between Indonesia's and Mexico's agricultural ministers on 17 Nov 2008, SAGARPA director Dr. Igor Romero extended his organization's offer of cooperation in the area of chicken vaccinations, use of surveillance labs and scientific exchanges. Dr. Ietza Bojorquez, SALUD director of edipemiology and Dr. Ethel Palacios, project director, expressed interest in continuing discussions with Indonesia around the issue WTO vaccination benefit sharing. Lingga's story resonated with Mexican government officials who noted shared challenges with backyard farmers, industry communication programs, and managing international aid and perceptions. While Lingga noted that backyard chickens were banned from Jakarta, the government is concerned the H5N1 virus is spreading to song birds (Mexico City)

Bassett